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इस भाग में भिन्न पृष्ठ संख्या दी जाती है जिससे कि यह अलग संकलन के रूप में रखा जा सके।
Separate paging is given to this Part in order that it may be filed as a separate compilation.

LOK SABHA

The following Bills were introduced in Lok Sabha on 24th February, 1997:—

BILL No. 16 OF 1997

A Bill further to amend the Indian Stamp Act, 1899, *the State Bank of India Act,* 1955, *the Companies Act,* 1956, *the State Bank of India (Subsidiary Banks) Act,* 1959, *the Industrial Development Bank of India Act,* 1964, *the Banking Companies (Acquisition and Transfer of Undertakings) Act,* 1970, *the Banking Companies (Acquisition and Transfer of Undertakings) Act,* 1980 *and the Depositories Act,* 1996.

BE it enacted by Parliament in the Forty-eighth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

Short title and commencement

1. *(1)* This Act may be called the Depositories Related Laws (Amendment) Act, 1997.

(2) It shall be deemed to have come into force on the 15th day of January, 1997.

CHAPTER II

AMENDMENT TO THE INDIAN STAMP ACT, 1899

Amendment of section 8A.

2. In section 8A of the Indian Stamp Act, 1899, for clause (*d*), the following clauses shall be substituted, namely:— 2 of 1899.

"(*d*) transfer of beneficial ownership of shares, such shares being shares of a company formed and registered under the Companies Act, 1956 or a body corporate established by a Central Act dealt with by a depository, shall not be liable to duty under article 62 of Schedule I of this Act; 1 of 1956.

(*e*) transfer of beneficial ownership of units, such units being units of a mutual fund including units of the Unit Trust of India established under sub-section (*1*) of section 3 of the Unit Trust of India Act, 1963 dealt with by a depository, shall not be liable to duty under article 62 of Schedule I of this Act.". 52 of 1963.

CHAPTER III

AMENDMENTS TO THE STATE BANK OF INDIA ACT, 1955

Amendment of section 13.

3. In section 13 of the State Bank of India Act, 1955 (hereinafter in this Chapter referred to as the State Bank Act), in sub-section (*1*), the following proviso shall be inserted at the end, namely:— 23 of 1955.

"Provided that nothing in this sub-section shall apply to the shares held with a depository.".

Insertion of new section 13A. Register of beneficial owners.

4. After section 13 of the State Bank Act, the following section shall be inserted, namely:—

"13A. The register of beneficial owners maintained by a depository under section 11 of the Depositories Act, 1996 shall be deemed to be a register of shareholders for the purposes of this Act.". 22 of 1996.

Amendment of section 15.

5. In section 15 of the State Bank Act, the following proviso and the *Explanation* shall be inserted at the end, namely:—

"Provided that nothing in this section shall apply to a depository in respect of shares held by it as a registered owner on behalf of the beneficial owners.

Explanation.—For the purposes of section 13, section 13A and this section, the expressions "beneficial owner", "depository" and "registered owner" shall have the meanings respectively assigned to them in clauses (*a*), (*e*) and (*j*) of sub-section (*1*) of section 2 of the Depositories Act, 1996.". 22of 1996.

CHAPTER IV

AMENDMENTS TO THE STATE BANK OF INDIA (SUBSIDIARY BANKS) ACT, 1959

Amendment of section 21.

6. In section 21 of the State Bank of India (Subsidiary Banks) Act, 1959 (hereinafter in this Chapter referred to as the Subsidiary Banks Act), the following proviso shall be inserted at the end, namely:— 38 of 1959.

"Provided that nothing in this section shall apply to the shares held with a depository.".

Insertion of new section 21A. Register of beneficial owners.

7. After section 21 of the Subsidiary Banks Act, the following section shall be inserted, namely:—

"21A. The register of beneficial owners maintained by a depository under section 11 of the Depositories Act, 1996 shall be deemed to be a register of shareholders for the purposes of this Act.". 22 of 1996

Amendment of section 22.

8. In section 22 of the Subsidiary Banks Act, the following proviso and the *Explanation* shall be inserted at the end, namely:—

"Provided that nothing in this section shall apply to a depository in respect of shares held by it as a registered owner on behalf of the beneficial owners.

Explanation.—For the purposes of section 21, section 21A and this section, the expressions "beneficial owner", "depository" and "registered owner" shall have the meanings respectively assigned to them in clauses (*a*), (*e*) and (*j*) of sub-section (*1*) of section 2 of the Depositories Act, 1996.".

22 of 1996.

CHAPTER V

AMENDMENTS TO THE COMPANIES ACT, 1956

1 of 1956.

Insertion of new section 83.

9. After section 82 of the Companies Act, 1956 (hereinafter in this Chapter referred to as the Companies Act), the following section shall be inserted, namely:—

Numbering of shares.

"83. Each share in a company having a share capital shall be distinguished by its appropriate number:

Provided that nothing in this section shall apply to the shares held with a depository.".

Amendment of section 111A.

10. In section 111A of the Companies Act,—

(*a*) in sub-section (*2*), the following proviso shall be inserted, namely:—

"Provided that if a company without sufficient cause refuses to register transfer of shares within two months from the date on which the instrument of transfer or the intimation of transfer, as the case may be, is delivered to the company, the transferee may appeal to the Company Law Board and it shall direct such company to register the transfer of shares.".

(*b*) for sub-section (*3*), the following sub-section shall be substituted, namely:—

"(*3*) The Company Law Board may, on an application made by a depository, company, participant or investor or the Securities Exchange Board of India, if the transfer of shares or debentures is in contravention of any of the provisions of the Securities and Exchange Board of India Act, 1992, or regulations made thereunder or the Sick Industrial Companies (Special Provisions) Act, 1985, or any other law for the time being in force, within two months from the date of transfer of any shares or debentures held by a depository or from the date on which the instrument of transfer or the intimation of the transmission was delivered to the company, as the case may be, after such inquiry as it thinks fit, direct any depository or company to rectify its register or records.".

15 of 1992.

1 of 1986.

Amendment of section 150.

11. In section 150 of the Companies Act, in sub-section (*1*), in clause (*b*), after the words "the shares held by each member", the words "distinguishing each share by its number except where such shares are held with a depository" shall be inserted.

Amendment of section 152.

12. In section 152 of the Companies Act, in sub-section (*1*), in clause (*b*), after the words "the debentures held by each member", the words "distinguishing each debenture by its number except where such debentures are held with a depository" shall be inserted.

CHAPTER VI

AMENDMENTS TO THE INDUSTRIAL DEVELOPMENT BANK OF INDIA ACT, 1964

18 of 1964.

Amendment of section 13B.

13. In section 13B of the Industrial Development Bank of India Act, 1964 (hereinafter in this Chapter referred to as the Development Bank Act), in sub-section (*1*), the following proviso shall be inserted at the end, namely:—

"Provided that nothing in this sub-section shall apply to the shares held with a depository.".

Insertion of new section 13BA.

14. After section 13B of the Development Bank Act, the following section shall be inserted, namely:—

Register of beneficial owners.

"13BA. The register of beneficial owners maintained by a depository under section 11 of the Depositories Act, 1996 shall be deemed to be a register of the shareholders for the purposes of this Act.". 22 of 1996.

Amendment of section 13C.

15. In section 13C of the Development Bank Act, the following proviso and the *Explanation* shall be inserted at the end, namely:—

"Provided that nothing in this section shall apply to a depository in respect of shares held by it as a registered owner on behalf of a beneficial owner.

Explanation.—For the purposes of section 13B, section 13BA and this section, the expressions "beneficial owner", "depository" and "registered owner" shall have the meanings respectively assigned to them in clauses (*a*), (*e*) and (*j*) of sub-section (*1*) of section 2 of the Depositories Act, 1996.". 22 of 1996.

CHAPTER VII

AMENDMENTS TO THE BANKING COMPANIES (ACQUISITION AND TRANSFER OF UNDERTAKINGS) ACT, 1970

Amendment of section 3.

16. In section 3 of the Banking Companies (Acquisition and Transfer of Undertakings Act, 1970 (hereinafter in this Chapter referred to as the Bank Nationalisation Act), in sub-section (*2F*), the following proviso shall be inserted at the end, namely:— 5 of 1970.

"Provided that nothing in this sub-section shall apply to the shares held with a depository.".

Amendment of section 3A.

17. In section 3A of the Bank Nationalisation Act, the following proviso shall be inserted at the end, namely:—

"Provided that nothing in this section shall apply to a depository in respect of shares held by it as a registered owner on behalf of the beneficial owners.".

Insertion of new section 3B.

18. After section 3A of the Bank Nationalisation Act, the following section shall be inserted, namely:—

Register of beneficial owners.

"3B. The register of beneficial owner maintained by a depository under section 11 of the Depositories Act, 1996, shall be deemed to be a register of shareholders for the purposes of this Act. 22 of 1996.

Explanation.—For the purposes of section 3, section 3A and this section, the expressions "beneficial owner", "depository" and "registered owner" shall have the meanings respectively assigned to them in clauses (*a*), (*e*) and (*j*) of sub-section (*1*) of section 2 of the Depositories Act, 1996.". 22 of 1996.

CHAPTER VIII

AMENDMENTS TO THE BANKING COMPANIES (ACQUISITION AND TRANSFER OF UNDERTAKINGS) ACT, 1980

Amendment of section 3.

19. In section 3 of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 (hereinafter in this Chapter referred to as the Bank (Second) Nationalisation Act), after sub-section (*2F*), the following proviso shall be inserted at the end, namely:— 40 of 1980.

"Provided that nothing in this sub-section shall apply to the shares held with a depository.".

Amendment of section 3A.

20. In section 3A of the Bank (Second) Nationalisation Act, the following proviso shall be inserted at the end, namely:—

"Provided that nothing in this section shall apply to a depository in respect of shares held by it as a registered owner on behalf of the beneficial owners.".

Insertion of new section 3B.

21. After section 3A of the Bank (Second) Nationalisation Act, the following section shall be inserted, namely:—

Register of beneficial owners.

"3B. The register of beneficial owner maintained by a depository under section 11 of the Depositories Act, 1996, shall be deemed to be a register of shareholders for the purposes of this Act.

22 of 1996.

Explanation.—For the purposes of section 3, section 3A and this section, the expressions "beneficial owner", "depository" and "registered owner" shall have the meanings respectively assigned to them in clauses (*a*), (*e*) and (*i*) of sub-section (*1*) of section 2 of the Depositories Act, 1996.".

22 of 1996.

CHAPTER IX

AMENDMENT TO THE DEPOSITORIES ACT, 1996

Amendment of section 9.

22 of 1996.

22. In section 9 of the Depositories Act, 1996, for sub-section (*2*), the following sub-section shall be substituted, namely:—

"(2) Nothing contained in sections 153, 153A, 153B, 187B, 187C and 372 of the Companies Act, 1956 shall apply to a depository in respect of securities held by it on behalf of the beneficial owners.".

1 of 1956.

CHAPTER X

MISCELLANEOUS

Repeal and saving.

Ord. 5 of 1997.

23. (*1*) The Depositories Related Laws (Amendment) Ordinance, 1997 is hereby repealed.

2 of 1899. 23 of 1955. 1 of 1956. 38 of 1959. 18 of 1964. 5 of 1970. 40 of 1980. 22 of 1996.

(2) Notwithstanding such repeal, anything done or any action taken under the Indian Stamp Act, 1899, the State Bank of India Act, 1955, the Companies Act, 1956, the State Bank of India (Subsidiary Banks) Act, 1959, the Industrial Development Bank of India Act, 1964, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 and the Depositories Act, 1996 as amended by the said Ordinance shall be deemed to have been done or taken under the corresponding provisions of those Acts, as amended by this Act.

STATEMENT OF OBJECTS AND REASONS

The Depositories Act, 1996 provides, *inter alia,* for a legal framework for the establishment of depositories for dealing in securities. However, the said Act allows only securities of companies to be dealt in a depository mode. The securities of statutory bodies like the Industrial Development Bank of India, Unit Trust of India, State Bank of India and other banks established under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 could not be dealt in a depository mode. In order to remove this lacuna and also to give effect to certain consequential changes, the Depositories Related Laws (Amendment) Ordinance, 1997 was promulgated on the 15th January, 1997 amending the Depositories Act, 1996, the Companies Act, 1956, the Industrial Development Bank of India Act, 1964, the State Bank of India Act, 1955, the State Bank of India (Subsidiary Banks) Act, 1959, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980 and the Indian Stamp Act, 1899.

2. The Bill seeks to replace the said Ordinance.

NEW DELHI;
The 12th February, 1997.

P. CHIDAMBARAM.

BILL NO. 18 OF 1997

A Bill further to amend the Special Court (Trial of Offences Relating to Transactions in Securities) Act, 1992.

BE it enacted by Parliament in the Forty-eighth Year of the Republic of India as follows:—

Short title and commencement.

1. (*1*) This Act may be called the Special Court (Trial of Offences Relating to Transactions in Securities) Amendment Act, 1997.

(*2*) It shall be deemed to have come into force on the 16th day of January, 1997.

Amendment of section 5

2. In section 5 of the Special Court (Trial of Offences Relating to Transactions in Securities) Act, 1992 (hereinafter referred to as the principal Act),— 27 of 1992.

(*a*) in sub-section (*2*), for the words "a sitting Judge", the words "one or more sitting Judges" shall be substituted;

(*b*) in sub-section (*3*), for the words "the Judge of the Special Court", at both the places where they occur, the words "a Judge of the Special Court" shall be substituted.

Insertion of new section 5A.

3. After section 5 of the principal Act, the following section shall be inserted, namely:—

Distribution of cases amongst Judges of Special Court.

"5A. Where the Special Court consists of two or more Judges, the Chief Justice of the High Court within the local limits of whose jurisdiction the Special Court is situated may, from time to time, by general or special order, make provisions as to the distribution of cases amongst the Judges and specify the matters which may be dealt with by each of such Judge.".

Repeal and saving.

4. (*1*) The Special Court (Trial of Offences Relating to Transactions in Securities) Amendment Ordinance, 1997 is hereby repealed. Ord. 6 of 1997.

(*2*) Notwithstanding such repeal, anything done or any action taken under the principal Act, as amended by the said Ordinance, shall be deemed to have been done or taken under the principal Act, as amended by this Act.

The above Bill has been passed by the Houses of Parliament.

STATEMENT OF OBJECTS AND REASONS

The Special Court (Trial of Offences Relating to Transactions in Securities) Act, 1992 was enacted on the 6th day of June, 1992 to provide for the establishment of a Special Court for the trial of offences relating to transactions in securities and for matters connected therewith or incidental thereto. Section 5 of the Act confers power upon the Central Government to establish a Court called the Special Court consisting of a sitting Judge of the High Court nominated by the Chief Justice of the High Court within the local limits of whose jurisdiction the Special Court is situated, with the concurrence of the Chief Justice of India. The Central Government established at Mumbai in June 1992 a Special Court consisting of a sitting Judge of the Bombay High Court, Justice S.N. Variava for dealing with the cases under the aforesaid Act.

2. Since establishment of the Special Court in 1992, about 2,910 matters have been filed before the Special Court. In addition, the Central Bureau of Investigation have also registered 70 cases relating to irregularities in transactions of securities and in 18 cases charge-sheets have been filed in the Special Court.

3. With a view to expediting disposal of cases pending in the Special Court, it has become necessary to appoint additional Judges in the Special Court. As Parliament was not in session, the President promulgated on the 16th January, 1997 the Special Court (Trial of Offences Relating to Transactions in Securities) Amendment Ordinance, 1997 (6 of 1997) to provide for appointment of additional Judges in the Special Court and also to provide for assignment of cases amongst them.

4. The Bill seeks to replace the said Ordinance.

NEW DELHI;
The 13th February, 1997.

P. CHIDAMBARAM.

FINANCIAL MEMORANDUM

Clause 2 of the Bill provides for the appointment of additional Judges in the Special Court constituted under section 5 of the Special Court (Trial of Offences Relating to Transanctions in Securities) Act, 1992. Appointment of additional Judge shall involve expenditure out of the Consolidated Fund of India for meeting the expenditure on salary and office expenses for the additional staff to be provided to the additional Judge.

2. The Bill, if enacted, would involve non-recurring expenditure of rupees two lakhs and recurring expenditure of rupees ten lakhs per annum.

BILL NO. 22 OF 1997

A Bill to provide for the transfer and vesting of the undertakings of the Industrial Reconstruction Bank of India to and in the Company to be formed and registered as a Company under the Companies Act, 1956, and for matters connected therewith or incidental thereto and also to repeal the Industrial Reconstruction Bank of India Act, 1984.

BE it enacted by Parliament in the Forty-eighth Year of the Republic of India as follows:—

CHAPTER I

PRELIMINARY

Short title and commencement.

1. (*1*) This Act may be called the Industrial Reconstruction Bank (Transfer of Undertakings and Repeal) Act, 1997.

(*2*) It shall be deemed to have come into force on the 24th day of January, 1997.

Definitions.

2. In this Act, unless the context otherwise requires,—

(*a*) "appointed day" means such date as the Central Government may, by notification in the Official Gazette, appoint under section 3;

(*b*) "Company" means the Industrial Investment Bank of India Limited to be formed and registered under the Companies Act, 1956; 1 of 1956

(*c*) "Reconstruction Bank" means the Industrial Reconstruction Bank of India

established under sub-section (*1*) of section 3 of the Industrial Reconstruction Bank of India Act, 1984. 62 of 1984.

CHAPTER II

TRANSFER AND VESTING OF THE UNDERTAKINGS OF RECONSTRUCTION BANK IN COMPANY

Undertakings of the Reconstruction Bank to vest in Company.

3. On such date as the Central Government may, by notification in the Official Gazette, appoint, there shall be transferred to, and vest in, the Company, the undertakings of Reconstruction Bank.

General effect of vesting of undertakings in Company.

4. (*1*) The Central Government, being the shareholder of the Reconstruction Bank immediately before the appointed day, shall be deemed to be registered, on and from the appointed day, as a shareholder of the Company.

(*2*) The undertakings of the Reconstruction Bank which are transferred to, and which vest in, the Company under section 3 shall be deemed to include all business, assets, rights, powers, authorities and privileges and all properties, movable and immovable, real and personal, corporeal and incorporeal, in possession or reservation, present or contingent of whatever nature and wheresoever situate including lands, buildings, vehicles, cash balances, deposits, foreign currencies, disclosed and undisclosed reserves, reserve fund, special reserve fund, benevolent reserve fund, any other fund, stocks, investments, shares, bonds, debentures, security, management of any industrial concern, loans, advances and guarantees given to industrial concerns, tenancies, leases and book debts and all other rights and interests arising out of such property as were immediately before the appointed day in the ownership, possession or power of the Reconstruction Bank in relation to its undertakings, within or without India, all books of account, registers, records and documents relating thereto and shall also be deemed to include all borrowings, liabilities and obligations of whatever kind within or without India then subsisting of the Reconstruction Bank in relation to its undertakings.

(*3*) All contracts, deeds, bonds, guarantees, powers of attorney, other instruments and working arrangements subsisting immediately before the appointed day and affecting the Reconstruction Bank shall cease to have effect or to be enforceable against the Reconstruction Bank and shall be of as full force and effect against or in favour of the Company in which the undertakings of the Reconstruction Bank have vested by virtue of this Act and enforceable as fully and effectually as if instead of the Reconstruction Bank, the Company had been named therein or had been a party thereto.

(*4*) Any proceeding or cause of action pending or existing immediately before the appointed day by or against the Reconstruction Bank in relation to its undertakings may, as from the appointed day, be continued and enforced by or against the Company in which the undertakings of the Reconstruction Bank have vested by virtue of this Act as it might have been enforced by or against the Reconstruction Bank if this Act had not been enacted and shall cease to be enforceable by or against the Reconstruction Bank.

Provisions in respect of officers and other employees of Reconstruction Bank.

5. (*1*) Every officer or other employee of the Reconstruction Bank (except a Director of the Board or the Chairman and Managing Director) serving in the employment immediately before the appointed day shall, in so far as such officer or other employee is employed in connection with the undertakings which have vested in the Company by virtue of this Act, become, as from the appointed day, an officer or, as the case may be, other employee of the Company and shall hold his office or service therein by the same tenure, at the same remuneration, upon the same terms and conditions, with the same obligations and with the same rights and privileges as to leave, leave fare concession, welfare scheme, medical benefit scheme, insurance, provident fund, other funds, retirement, voluntary retirement, gratuity and other benefits as he would have held under the Reconstruction Bank if its undertakings had not vested in the Company and shall continue to do so as an officer or, as the case may be, other employee of the Company or until the expiry of a period of six months from the appointed day if such officer or other employee

opts not to continue to be the officer or other employee of the Company within such period.

(*2*) Where an officer or other employee of the Reconstruction Bank opts under sub-section (*1*) not to be in employment or service of the Company, such officer or other employee shall be deemed to have resigned.

14 of 1947. (*3*) Notwithstanding anything contained in the Industrial Disputes Act, 1947 or in any other law for the time being in force, the transfer of the services of any officer or other employee of the Reconstruction Bank to the Company shall not entitle such officer or other employee to any compensation under this Act or under any other law for the time being in force and no such claim shall be entertained by any court, tribunal or other authority.

(*4*) The officers and other employees who have retired before the appointed day from the service of the Reconstruction Bank and are entitled to any benefits, rights or privileges shall be entitled to receive the same benefits, rights or privileges from the Company.

(*5*) The trust of the provident fund or the gratuity fund of the Reconstruction Bank and any other bodies created for the welfare of officers or employees would continue to discharge their functions in the Company as was being done hitherto in the Reconstruction Bank and any tax exemption granted to the provident fund or the gratuity fund would continue to be applied to the Company.

1 of 1956. (*6*) Notwithstanding anything contained in this Act or in the Companies Act, 1956 or in any other law for the time being in force or in the regulations of the Reconstruction Bank, no Director of the Board, Chairman and Managing Director or any other person entitled to manage the whole or substantial part of the business and affairs of the Reconstruction Bank shall be entitled to any compensation against the Reconstruction Bank or the Company for the loss of office or for the premature termination of any contract of management entered into by him with the Reconstruction Bank.

CHAPTER III

MISCELLANEOUS

Concession, etc., to be deemed to have been granted to Company.

6. With effect from the appointed day, all fiscal and other concessions, licences, benefits, privileges and exemptions granted to the Reconstruction Bank in connection with the affairs and business of the Reconstruction Bank under any law for the time being in force shall be deemed to have been granted to the Company.

Tax exemption or benefit to continue to have effect.

43 of 1961. **7.** (*1*) Notwithstanding anything contained in the Income-tax Act, 1961 or any other enactment for the time being in force relating to tax on income, profits or gains, the Company shall not be liable to pay income-tax or any other tax for a period of five years computed from the appointed day in respect of any income, profits or gains derived, or any amount received by the Company.

(*2*) The transfer and vesting of the undertakings or any part thereof in terms of section 3 shall not be construed as a transfer within the meaning of the Income-tax Act, 1961 for the purposes of capital gains.

43 of 1961.

Guarantee to be operative.

8. Any guarantee given for or in favour of the Reconstruction Bank with respect to any loan, lease finance or other assistance shall continue to be operative in relation to the Company.

Arrangement with Company on appointment of directors to prevail.

9. (*1*) Where any arrangement entered into by the company with an industrial or other concern provides for the appointment by the company of one or more directors of such concern, such provision and any appointment of directors made in pursuance thereof shall be valid and effective notwithstanding anything to the contrary contained in the Companies Act, 1956 or in any other law for the time being in force or in the memorandum, articles of association or any other instrument relating to such concern, and any provision

1 of 1956.

regarding share qualification, age limit, number of directorships, removal from office of directors and such like conditions contained in any such law or instrument aforesaid, shall not apply to any director appointed by the company in pursuance of the arrangement as aforesaid.

(2) Any director appointed in pursuance of sub-section (1) shall—

(a) hold office during the pleasure of the company and may be removed or substituted by any person by order in writing by the company;

(b) not incur any obligation or liability by reason only of his being a director or for anything done or omitted to be done in good faith in the discharge of his duties as a director or anything in relation thereto;

(c) not be liable to retirement by rotation and shall not be taken into account for computing the number of directors liable to such retirement.

Act 18 of 1891 to apply to the books of Company.

10. The Company shall be deemed to be a bank for the purposes of the Bankers' Books Evidence Act, 1891.

Shares, bonds and debentures to be deemed to be approved securities.

11. Notwithstanding anything contained in any other law for the time being in force, the shares, bonds and debentures of the Company shall be deemed to be approved securities for the purposes of the Indian Trusts Act, 1882, the Insurance Act, 1938 and the Banking Regulation Act, 1949. 2 of 1882. 4 of 1938. 10 of 1949.

Substitution in Acts, rules or regulations of company in place of the Reconstruction Bank.

12. In every Act, rule or regulation in force on the appointed day,—

(a) for the words "Industrial Reconstruction Bank of India", wherever they occur, the words "Industrial Investment Bank of India Limited" shall be substituted ;

(b) for the words "Reconstruction Bank", wherever they occur, the words "Industrial Investment Bank" shall be substituted.

Repeal and saving of Act 62 of 1984.

13. (1) On the appointed day, the Industrial Reconstruction Bank of India Act, 1984 shall stand repealed.

(2) Notwithstanding the repeal of the Industrial Reconstruction Bank of India Act, 1984,—

(a) the Company shall, so far as may be, comply with the provisions of Chapter VII of the Act so repealed for any of the purposes related to the annual accounts and audit of the Reconstruction Bank;

(b) the provisions of Chapter VIII of the Act so repealed will continue to be applicable in respect of the arrangements entered into by the Reconstruction Bank with an industrial concern under section 18 thereof up to the appointed day and the Company will be entitled to act upon and enforce the same as fully and effectually as if this Act had not been enacted.

CHAPTER IV

AMENDMENT TO THE INDUSTRIAL RECONSTRUCTION BANK OF INDIA ACT, 1984

Insertion of new section 4A.

14. In the Industrial Reconstruction Bank of India Act, 1984, after section 4, the following section shall be inserted, namely:— 62 of 1984.

Transitional provisions regarding adjustment of capital of the Reconstruction Bank.

"4A. (1) **The Central Government may reduce share capital of the Reconstruction Bank by,—**

(a) extinguishing or reducing the liability of any of its equity shares;

(b) either with or without extinguishing or reducing liability on any of its equity shares, cancelling any paid up share capital which is lost, or is unrepresented by available assets; or

(c) either with or without extinguishing or reducing liability on any of its equity shares, paying of any paid up share capital which is in excess of the wants of the Reconstruction Bank.

(2) The Central Government may at any time, by notification in the Official Gazette, convert such number of equity shares held by it, as it may decide into redeemable preference shares.

(3) The redeemable preference shares referred to in sub-section (2) shall carry such fixed rates of dividend as the Central Government may specify at the time of such conversion.".

Repeal and Saving.

15. (1) The Industrial Reconstruction Bank (Transfer of Undertakings and Repeal) Ord. 7 of 1997. Ordinance, 1997 is hereby repealed.

(2) Notwithstanding such repeal, anything done or any action taken under the Ordinance so repealed, shall be deemed to have been done or taken under the corresponding provisions of this Act.

STATEMENT OF OBJECTS AND REASONS

The Industrial Reconstruction Bank of India (IRBI) was set up under the Industrial Reconstruction Bank of India Act, 1984 (62 of 1984), with the main functions of acting as a principal credit and reconstruction agency for industrial revival, to co-ordinate similar work of other institutions engaged therein, to assist and promote industrial development and to rehabilitate industrial concerns. Subsequently, the Sick Industrial Companies (Special Provisions) Act, 1985 was enacted with a view to securing timely detection of sick and potentially sick companies owning industrial undertakings and speedy determination and enforcement of such measures as may be required for such companies. With the passing of the Sick Industrial Companies (Special Provisions) Act, 1985, *inter-alia,* the Board for Industrial and Financial Reconstruction (BIFR) was set up in 1987. With the setting up of the Board, the burden of reconstruction is being shared by different stake holders including development financial institutions and banks. Thus it became necessary to redefine the role and functions of the Industrial Reconstruction Bank of India.

2. As the Industrial Reconstruction Bank of India was predominantly engaged in reconstruction and rehabilitation of sick companies, its assets structure got heavily burdened with non-performing assets. Provisioning in accordance with the Reserve Bank of India guidelines has adversely affected the Industrial Reconstruction Bank of India's profitability and performance parameters. Several changes in the financial sector during the last five years have also made it vital for financial institutions to raise funds largely from the capital market. The Industrial Reconstruction Bank of India's ability to compete in the existing financial regime would, therefore, depend on its ability to access the capital market so as to mobilise resources competitively and transmute them into quality loan assets.

3. To deal with these problems and in particular to ensure greater flexibility and consequent ability of the Industrial Reconstruction Bank of India to respond to the needs of the fast changing financial system, the Industrial Reconstruction Bank (Transfer of Undertakings and Repeal) Ordinance, 1997 was promulgated by the President on 24th day of January, 1997. The Ordinance provides for the establishment of a new Company under the Companies Act, 1956 to be known as the Industrial Investment Bank of India Limited to which the entire business and functions of the Industrial Reconstruction Bank of India as well as assets and liabilities and the staff of the Industrial Reconstruction Bank of India will be transferred on the appointed day to be notified by the Government. The aforesaid Ordinance also seeks to repeal the Industrial Reconstruction Bank of India Act, 1984. Conversion of the Industrial Reconstruction Bank of India from a statutory authority into a company would also assist it to reshape its business strategy achieve greater managerial autonomy and operational flexibility, to enter the capital market for equity and debt and to create a more level playing field across other broadly similar financial institutions.

4. The Bill seeks to replace the Industrial Reconstruction Bank (Transfer of Undertakings and Repeal) Ordinance, 1997. Ord. 7 of 1997

NEW DELHI;

The 14th February, 1997.

P. CHIDAMBARAM.

PRESIDENT'S RECOMMENDATION UNDER ARTICLE 117 AND 274 OF THE CONSTITUTION OF INDIA

[Copy of letter No. 1/1/93-IF.II, dated the 19th February, 1997 from Shri P. Chidambaram, Minister of Finance to the Secretary-General, Lok Sabha.]

The President, having been informed of the subject matter of the Industrial Reconstruction Bank (Transfer of Undertakings and Repeal) Bill, 1997, recommends under article 117(1) and article 274(1) of the Constitution for introduction of the Bill in Lok Sabha and under article 117(3) of the Constitution for its consideration in Lok Sabha.

FINANCIAL MEMORANDUM

Clause 14 of the Bill empowers the Central Government to reduce or convert equity capital into redeemable preference shares and specify fixed rate of dividend on such converted redeemable preference shares. The Central Government proposes to take the following steps, namely:—

(*a*) reducing paid up capital of the Industrial Reconstruction Bank of India by writing off the equity to the extent of Rs. 74.30 crores against past non-performing assets;

(*b*) convert an amount of Rs. 52.25 crores of equity share capital of the Industrial Reconstruction Bank of India into redeemable preference shares carrying the dividend at the rate of 6 per cent. per annum and redeemable at par on the expiry of ten years from the date of allotment.

Clause 2(b) of the Bill provides that the new company shall be known as the Industrial Investment Bank of India Limited which is to be formed and registered under the Companies Act, 1956. For this purpose, registration and other charges (including subscription money) likely to be incurred by the Central Government are estimated at Rs. 80 lakhs (Rupees eighty lakhs only) approximately, as non-recurring expenditure.

BILL NO. 17 OF 1997

A Bill further to amend the Export-Import Bank of India Act, 1981.

BE it enacted by Parliament in the Forty-eighth Year of the Republic of India as follows:—

Short title and commencement.

1. *(1)* This Act may be called the Export-Import Bank of India (Amendment) Act, 1997.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint.

Amendment of section 4 of Act 28 of 1981.

2. In section 4 of the Export-Import Bank of India Act, 1981, for sub-section *(1)*, the following sub-section shall be substituted, namely:—

"*(1)* **The authorised capital of the Exim Bank shall be one thousand crores of rupees:**

Provided that the Central Government may, by notification, increase the said capital up to two thousand crores of rupees.".

STATEMENT OF OBJECTS AND REASONS

Sub-section (1) of section 4 of the Export-Import Bank of India Act, 1981 provides that the authorised capital of the Exim Bank shall be two hundred crores of rupees and the Central Government may by notification increase the said capital up to five hundred crores of rupees. The paid-up capital of the Exim Bank has been augmented every year out of the budgetary allocation and in the year 1995-96, it has reached the maximum limit of five hundred crores of rupees.

2. It has become necessary to provide for an adequate capital base to the Exim Bank to support its future business growth, to maintain its credit worthiness with international lenders, to enable it to raise external commercial borrowings at competitive rates for financing needs of Indian exporters, and to retain adequate resource flows for maintaining flexibility. Accordingly, it is proposed to raise the authorised capital of the Exim Bank from five hundred crores of rupees to one thousand crores of rupees and enhance the maximum limit up to which the Central Government may increase the said capital, by notification in the Official Gazette, from five hundred crores of rupees to two thousand crores of rupees. It is, therefore, necessary to amend sub-section (1) of section 4 of the Export-Import Bank of India Act.

3. The Bill seeks to achieve the above objects.

P. CHIDAMBARAM.

NEW DELHI;
The 12th February, 1997.

FINANCIAL MEMORANDUM

Clause 2 of the Bill provides that the authorised capital of the Export-Import Bank of India (Exim Bank) shall be one thousand crores of rupees; provided that the Central Government may, by notification, increase the said capital to two thousand crores of rupees.

2. Central Government have been augmenting to the paid-up capital of the Exim Bank every year out of budgetary allocation. In the year 1995-96, an amount of Rs. 59.66 crores was released to Exim Bank increasing its paid-up capital to Rs. 499,99,18,881 (i.e. Rs. 500 crores approximately). Exim Bank's authorised capital is proposed to be raised from Rs. 500 crores to Rs. 1,000 crores and further to Rs. 2,000 crores through notification by the Central Government during the course of years ahead.

3. No other provisions of the Bill involves any other expenditure of a recurring or non-recurring nature.

S. GOPALAN,
Secretary-General.

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